

## Washington State Gambling Commission

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# Card Room Connection

Volume II, Issue 2

July - December 2001

## Message from the Director

By Rick Day, Executive Director

In September, I began my duties at the Gambling Commission with confidence in the excellent and professional work of the agency's employees. I'm confident they were all doing an outstanding job prior to my privilege of becoming the Executive Director and I'm confident they will continue to perform as dedicated professionals.

Some licensees may be interested in my background. I was born and raised in Montana, so I am learning a lot of new things about Washington State. I am married and have three children. I attended Gonzaga University in Spokane for one year, then graduated from Montana State University with a degree in Sociology/Criminal Justice. I began my law enforcement career as a police officer in Montana.

I have worked in the criminal justice system for over 25 years. About 15 of those years were in state law enforcement-regulatory work involving tobacco, liquor, and gambling investigations. I have about 19 years of leadership experience including:

- ✓ Organizing the first Department of Corrections in Montana's history and providing leadership and management for more than 1,000 positions, 25 field offices, eight secure facilities, and probation and parole;
- ✓ Managing statewide criminal and dangerous drug investigations, criminal history records and fire prevention and investigation units; and,
- ✓ Establishing and managing Montana's first criminal and regulatory gambling investigation bureau following the re-location of the responsibility from the Department of Revenue to the Attorney General.

I believe listening is the most important function of effective leadership and you have my commitment to always listen. I intend to look for ways to further encourage an open dialogue with the licensees so that together we can provide solutions to improve the agency's services. I also plan to attend many of the study group meetings before each Commission meeting and to meet with the various interest groups within the gambling industry. This will take some time, so I ask for your patience and openness. I look forward to learning about the industry's concerns and exploring ways in which we can each achieve our separate goals.

It is evident Ben Bishop has served the agency well. I will not try to fill Ben's shoes. However, with your support I plan to continue to reinforce the effectiveness and professionalism of the agency. My leadership style will no

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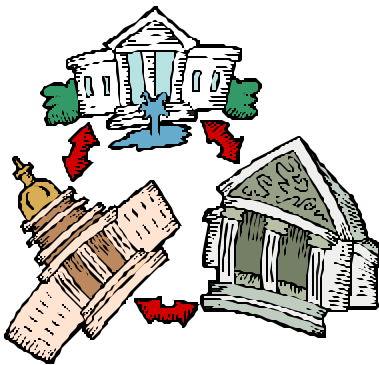
### **WSGC's Mission:**

**Protect the public by ensuring that gambling is legal and honest.**

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doubt be different and some changes are likely. When those changes come they will come with your involvement, after thoughtful review, and in the best interests of the agency.

My expectations are simple. I will treat all of you with respect and I ask the same from you. I look forward to meeting and working with you.



## 2002 Legislative Session

The 2002 Session is scheduled to start on Monday, January 14. There may be several gambling related bills that will be introduced by several interested organizations. Recent articles in the newspaper are generating a number of inquiries to this agency as to whether the legislature, the Governor or the gambling commission is going to authorize video poker or other electronic games.

The current budget problems facing the State of Washington are causing many people to explore every option for possible new revenue, including gaming. As always, this agency will respond to requests for information and data from other state agencies as well as the public.

However, we are not involved in or promoting any proposals, nor do we know what anyone is planning on doing in this regard. Inquiries as to what the Governor, legislators or interest groups are proposing should be redirected to those persons. We will know what they plan to do when their plans become public.

We will summarize any gambling bills being discussed in future newsletters as appropriate. If you wish to view the progress of bills during the session, you can visit [www.leg.wa.gov](http://www.leg.wa.gov) on the Internet. You should also contact your local legislator if you wish to influence any pending legislation.

## UPDATE ON LEGISLATIVE ROUND TABLE ON GAMBLING POLICY

Over the last few years, the Senate Labor, Commerce and Financial Institutions Committee, chaired by Senator Margarita Prentice, has held meetings across the state in order to learn more about the various gambling activities, how they affect each other, and how they fit together. This committee is the one that hears most gambling-related bills.

The Committee conducted Round Table meetings in the summer and fall of 2001. The Committee looked at all gambling activities, including lottery, horseracing, and commission-regulated gambling, such as bingo, punchboards/pull-tabs, enhanced card rooms, and Tribal casinos.



Senator Margarita Prentice

On August 22nd, the first meeting was held in La Center, Washington. The present state of the bingo industry was discussed, and Gambling Commission staff delivered a report on House-Banked Card Rooms. The Recreational Gaming Association presented information on Senate Bill 6193. This bill would make many changes, including allowing commercial operators to have 200 electronic pull-tab machines, and charitable/nonprofit organization to have 50 electronic bingo machines, in addition to the pull-tab machines. It would also allow the state to tax the electronic pull-tab machines. Currently, only local jurisdictions can tax gambling activities.

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On September 18<sup>th</sup>, the Round Table met in Spokane. The Washington State Lottery made a presentation about the recent law changes that will direct more lottery money directly to school construction. Lottery staff also discussed advertising issues, impacts of Powerball in other states, and the work the Lottery is doing in the area of problem gambling. The agency advised that it has funded new Public Service Announcements on radio and TV, are working to add problem gambling messages in Spanish and Korean, and will begin work on enforcement of underage gambling.

Several local citizens talked to the members of the Round Table and listed the reasons they felt gambling was not good for the community and should be prohibited.

Members of the Kalispel Tribe presented an update about their tribal casino.

Gary Hanson, Executive Director of the Washington State Council on Problem Gambling, advised that his organization may be proposing legislation during the next legislative session. The situation with insurance carriers was also mentioned as it is difficult to get treatment even for those who can get their insurance to cover it.

A presentation was made of the device that utilizes electronic facsimiles of playing cards by a company called DigiDeal; the company is based in Spokane. This system was followed with interest by the Legislature before they adjourned and this was a chance to demonstrate how it worked.

The last presentation was from the Horse Racing Commission. They discussed the attempt in 1999 to open the Lilac Race Track in Spokane. Unfortunately, the track had to be closed after 13 months because of losses incurred during that time.

On October 24<sup>th</sup> a meeting was held in Kennewick where Commission staff gave a report on charitable/nonprofit gambling and a demonstration on Internet gambling web sites. The charitable/nonprofit organizations gave a report on 2002 legislative proposals and there was a report on the horse racing industry in the Tri-Cities.

On November 19<sup>th</sup> a meeting was held in Bellingham and focused on the 2002 Legislative proposals for the charitable/nonprofit groups, and the Washington State Council on Problem Gambling and Industry Working Group on Problem Gambling. Commission staff presented a report on Tribal gaming issues, followed by a panel of tribal representatives.

The last meeting was held on November 30 in Olympia. Commission staff shared information gathered in a multi-state survey recently conducted to compare how gambling is regulated in other states.

Information gathered in these meetings will be useful for the next legislative session starting in January 2002.



## Change in Card Room Training Format

Commission staff members involved in the mandatory training program have been working to make changes to the card room training that will make it more effective for those attending. Staff have reduced the class time while emphasizing the areas where the most number of violations have traditionally occurred. The draft of the new program was made available for review and comment by members of the card room industry who attended the November Commission meeting.

It has been emphasized during these discussions that the purpose of the training is to provide an opportunity to learn the rules and regulations that govern the activity. The goal is voluntary compliance through effective education. Once the new format has been tested in the classroom environment, a web-based training format similar to those already in place for punchboard/pull-tab and raffle training will begin to be put together. This will give card room employees an additional option to satisfy the training requirement, and should be beneficial to all involved in the training program.



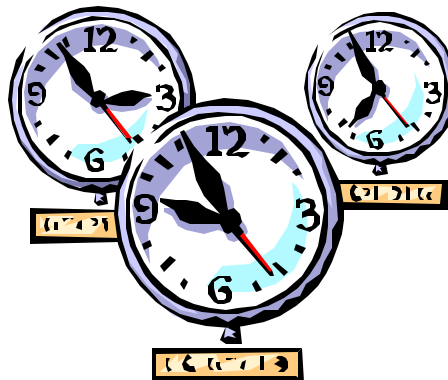
Changes to the instructor-led card room format will begin in January 2002. During the February Commission study group meeting, Mandatory Training Coordinator Cindy Reed will be talking to members of the industry about this change to training and about the web based training alternative. Cindy is open to discuss ways in which the training can be improved and eager to have more industry input. If you wish to contact her directly, she can be reached by e-mail at [cindyr@wsqc.wa.gov](mailto:cindyr@wsqc.wa.gov) or by phone at (800) 345-2529 Ext. 3467.

### Don't Be Late To Training

As reported in an earlier article, the card room class format is undergoing a major change in content and length. We feel those attending will enjoy the new focus for the classes, which will concentrate more on Gambling Commission expectations and less on the specific job functions of each type of card room employee. There will be major sections explaining what happens if you violate a rule, consequences of engaging in illegal activities, license renewal requirements, and what the expectations are during an inspection by a field agent.

The class will now last only 50 minutes instead of the two hours previously allotted to card room training. This means that less tolerance will be shown to anyone arriving late for the class.

It is up to the discretion of the instructor whether a late arrival will be given credit for attending the class if too much of the instructional material has been missed. IT IS A BETTER IDEA TO ARRIVE 10 MINUTES EARLY FOR A CLASS RATHER THAN 10 MINUTES LATE. Card room operators should advise their new employees of this fact.



## What Is a NOVAS?

Effective January 1, 2002, Commission special agents will have a new tool to gain compliance with commission rules. When an agent detects one of the violations listed below they will have the ability to issue a Notice of Violation And Settlement (NOVAS). The agent will explain the violation and issue the administrative citation to the on-duty manager or other employee. The manager will sign the NOVAS acknowledging that s/he has received it. The licensee will have the opportunity to settle the matter by paying a \$200 fine in lieu of a formal statement of charges and hearing.



This program is initially limited to the following violations:

- A licensee allowing employees to work after the expiration of their card room employee license.
- Certain surveillance violations (such as failure to retain tapes, failure to record audio in soft count room, etc.).
- Failure to delete a prize from a punch board/pull-tab flare.

The goal of this project is to develop a procedure and protocol that will create a tool for quicker follow-up for certain infractions that seem to frequently occur. It will also reduce the staff time expended preparing case reports and statements of charges. Expansion will likely occur to other violations.

Implementation of this new program does not replace the other ways an agent may deal with infractions. A verbal warning, written warning, or N.O.I. (Notice of Infraction) may be used as appropriate to the violation and circumstances.



## Answers to Some Financial Reporting Questions

**By Kathy Mills, Financial Reporting Services Supervisor**

In the last quarter, we have received requests from many sources for gambling statistical data. We want to share the answers with anyone who may have the same questions about gambling income and expenses.

We have also learned that there are some differences in how licensees are interpreting the instructions for filling out the activity reports and that may be leading to inconsistencies in the final data.

For this reason, we will review and revise some of the instructions on the activity reports that all licensees prepare to report their revenue and expenses from gambling activities.

**QUESTION: Is the card room industry continuing to grow?**

Our preliminary data for the year ended June 30, 2001 indicates that the card room industry is continuing to grow in gross receipts (by over \$40 million dollars in this last year).

**QUESTION: How many of the card rooms are reporting losses?**

*(Continued on page 6)*

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Twelve of the 63 house-banked card rooms showed net losses which is 19% or less than one-fifth of the total. Twenty of the 80 card rooms (including non-house-banked card rooms) showed net losses (one-fourth of the total) according to the information supplied by the activity reports.

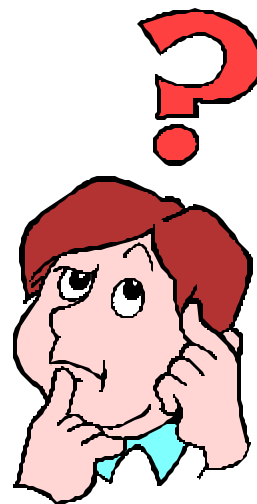
**QUESTION: Are costs related to mortgages and remodeling debts reported in the activity reports?**

The Gambling Commission's activity reports capture information regarding a mortgage on the building and remodeling debts through depreciation on those assets. There are generally accepted accounting principles regarding the capitalization of these assets. For those assets that must be capitalized, the expense is captured in the financial statements through depreciation (line 8 on the activity report for building and remodeling costs, line 9 for equipment). The idea behind capitalizing these expenses is that this process matches the expense more accurately to the proper revenue-producing period. Therefore, the cost of a capitalized asset is distributed among the periods of its usefulness through depreciation over its lifetime (determined via generally accepted accounting principles also). The mortgage payment is not recorded separately as an expense since it is already recorded in the depreciation. To record it again would double-state that expense.

**QUESTION: Do the activity reports capture information about benefits paid to employees such as health insurance premiums paid by the employer?**

Based on these questions, we have decided that the instructions could be clearer for these activity reports. We will be updating our instructions to ensure that all operators know where these expenses are to be reported.

We certainly appreciate feedback from you regarding any additional instructions that might be clearer. If you have any questions or concerns, please call at 1-800-345-2529, extension 3473.



## Agency Conference and Combined Fund Drive

The Gambling Commission held its yearly conference September 26 and 27th in Olympia. This is the only time when agency staff from all over the state has the chance to meet and discuss issues affecting the entire Commission. On the agenda were speakers who challenged us to continue on our journey towards becoming a world class Gambling Commission. It was also an excellent opportunity for the staff and our new Director Rick Day to become better acquainted with each other.

On everyone's mind during the conference were the events that took place on September 11<sup>th</sup> in New York, Washington D.C. and Pennsylvania. As a way to show their concern and support for those affected by the tragedies, the staff conducted several fund raising drives as part of the state's Combined Fund Drive, with the proceeds designated towards the American Red Cross September 11 Relief Fund.

The staff is prohibited from using any type of gambling activity to raise money; however, they showed great ingenuity in the methods they selected. During the conference, several work units donated gift baskets and a silent auction took place during the lunch hour and break times. A total of over \$1,000 was raised through this method. In addition, a cookie sale/bake-off competition and separate book/video/music CD sale also raised funds in October.

*(Photos on page 7)*



(Continued from page 6)



Agency Conference



David Allison, Financial Reporting Services, Combined Fund Drive Chairman



Baskets for Combined Fund Drive

## Raffles by Commercial Businesses

Many private businesses have been looking for ways to raise money for organizations helping out with expenses arising out of the September 11 terrorist incidents. Many are using variations of a raffle to do so and have been calling the Gambling Commission asking for advice on how to conduct it.

The Gambling Commission would like to remind everyone that only a charitable/nonprofit organization is eligible to conduct a raffle. The definition of charitable/nonprofit for purposes of conducting a gambling activity include the following elements:

- Designated as a charity by the IRS;
- At least 15 members who elect the governing board;
- In existence for at least 12 months before conducting the gambling activity and ability to show progress towards achieving charitable/nonprofit goals; and,
- Organized for one of the specific activities cited in RCW 9.46.0209 (i.e. charitable, social, educational, etc.)

Even if your business intends to make a donation to a nonprofit organization, this does not give you the authorization to conduct the raffle. If your company is considering fund-raising, please consider the traditional activities of auctions, bake sales, or car washes.

If you wish to pursue the idea of a raffle, here is a suggestion for how you could do it in a legal manner. Contact a member of the nonprofit group you wish to assist. Let them know you are interested in supporting their good works by offering assistance if they want to conduct a raffle. Your assistance could take the form of donating a prize towards a raffle the nonprofit would conduct, or to offer to sell tickets for any licensed raffle that the nonprofit may conduct. (NOTE: While the nonprofit organization is required to manage all aspects of a raffle, non-members are allowed to sell raffle tickets for any LICENSED raffle as long as certain types of oversight are in place. If the raffle is unlicensed, non-members may not sell tickets.)



## ELECTRONIC VERSION OF THE RULES MANUAL

By Susan Arland, Rules Coordinator and Public Information Officer

Some licensees have asked how they can obtain an electronic version of the rules manual. Current versions of WAC 230 and RCW 9.46 are posted on the agency website. Go to [www.wsgc.wa.gov](http://www.wsgc.wa.gov) and click on Gambling RCW & WAC. Following are instructions for accessing gambling laws and rules from our web site:



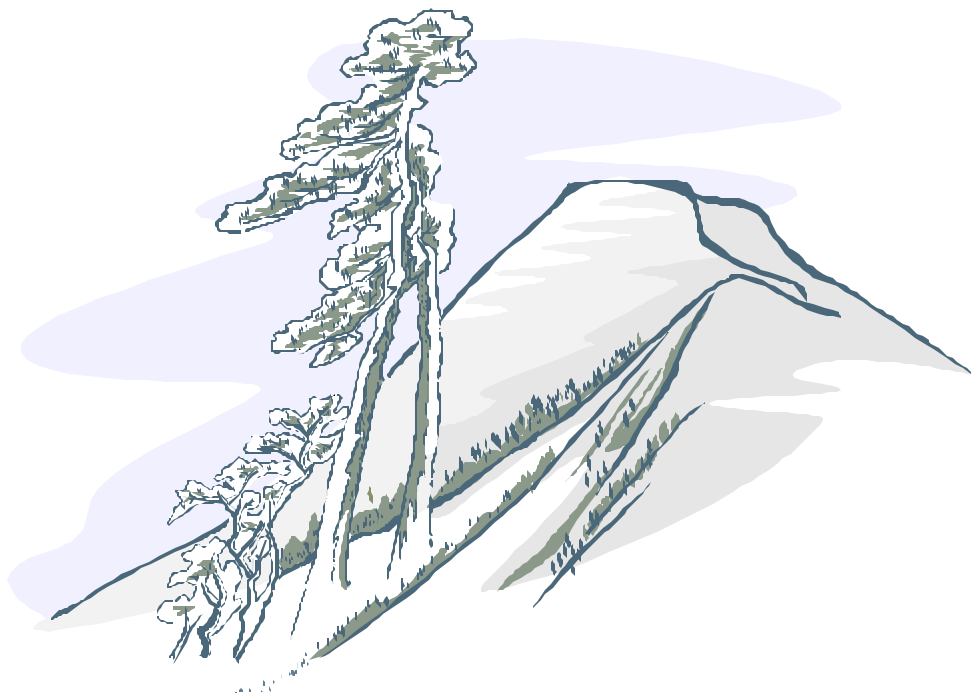
### LAWS

Click on "Gambling RCW" for current Gambling Laws. Use the Edit pull down window and select "Find" to perform word searches.

### RULES

For current rules, click on "Gambling WAC" and "Gambling WAC 230 updated through Administrative Order #405." Use the Edit pull down window and select "Find" to perform word searches.

When changes to WAC 230 are adopted at a Commission meeting, the Office of the Code Reviser codifies the changes, making them official. The codification process takes several weeks. After the rules are codified, the updated version of WAC 230 will be posted on the website. Therefore, there may be times when a rule which was recently adopted may not appear in the WAC posted on the website. This is because of the processing time needed by the Code Reviser's office. Therefore, please verify that you are viewing the most current version.





## ADMINISTRATIVE CASE UPDATE

LICENSEE	VIOLATION	CASE OUTCOME
Habana Café & Casino, Tacoma	Causing a dealer to violate Commission rules, failure to comply with rules of play, and failure to ensure games are operated fairly.	The licensee has not operated since July 1, 2001; however, owner Emil Kandi is in the process of selling the business and divesting himself of all financial interest. To that end, the licensee agreed to a 60 day suspension, which was deferred and vacated in part by payment of \$1,200. If the pending sale fails to close, or if Mr. Kandi retains a substantial interest following the sale, the remaining period of suspension would be imposed.
William Oelke, Card Room Employee (CRE) (Formerly employed by Minn's Club, Wenatchee)	Extending Credit	The licensee agreed to surrender his license for a period of one year.
Pete's Flying Aces, Tukwila	Repeated failure to maintain and produce gambling records.	Owner Lily Hsue is in the process of selling the business and divesting herself of all financial interest. To that end, the licensee agreed to a 90 suspension. 60 days were deferred, but will be imposed if the pending sale fails to close, or Ms. Hsue retains a substantial interest following the sale. The remaining 30 days were vacated upon payment of a \$35,790 fine, and investigative/administrative costs of \$6,180. Lily Hsue also agreed not to reapply for licensure or hold a substantial interest in any other business that holds a gambling license for two years.
Freddie's Club, Everett	Allowing a CRE to work with an expired license.	The licensee agreed to a one-day suspension, which was vacated with payment of a \$500 fine. The licensee also agreed to reimburse the Commission \$510 for its investigative and administrative costs.
Da Vy Waldron, CRE (Last known employer Diamond Lil's, Renton)	Dealer Cheating	The licensee agreed to surrender her license for a period of two years.
Lee Evans, CRE (Last known employer, Cleopatra's Cable Bridge Casino, Kennewick)	Failure to disclose criminal history.	Charges were issued for the revocation of the CRE's license. The licensee failed to respond to the charges. An Order of Default, revoking the CRE's license was entered at the September Commission Meeting.
Griffin, Kimberly, CRE	Criminal History	Charges were issued for the revocation of the CRE's license. The licensee failed to respond to the charges. An Order of Default, revoking the CRE's license was entered at the October Commission meeting.

**RULE CHANGES THAT IMPACT CARD ROOMS**

These rule packages were adopted at the November Commission Meeting and became effective January 1, 2002. Copies of the new rule were sent to the card rooms in the November/December 2001 Focus on Gambling newsletter. If you want a copy, please contact the Receptionist in the Lacey office.

**RE-OPENING A HOUSE-BANKED CARD ROOM AFTER CLOSURE**

**WAC 230-40-801** Interruption of card games – Pre-operational review and evaluation required – House-banking.

**WAC 230-04-207** Additional requirements – House-banked card games.

These rules set forth the requirements a licensee must follow to reopen their house-banked card room after a temporary closure. This filing codifies operating procedures, which were previously handled through policy. These procedures ensure the security and integrity of the card games have not been compromised in anyway during the time the card room was closed.

**LICENSING FEES**

**WAC 230-04-202** Fees – Bona fide charitable/nonprofit organizations.

**WAC 230-04-203** Fees – Commercial stimulant and other business organizations.

**WAC 230-04-204** Fees – Individuals.

**WAC 230-08-017** Control of

**gambling equipment – Use of identification and inspection services stamps.**

After reviewing the agency's budget earlier this year, staff determined that a fee increase of approximately 2.79% was needed to cover budget requirements. Two alternatives were discussed at the last three Commission meetings.

**Alternative #1:** Increase all licensing fees and ID stamp fees by approximately 2.79%, except for fund-raising events (FRE); and **Alternative #2:** Increase licensing fees for commercial operators and fees for ID stamp by approximately 2.79%. However, fees for charitable and nonprofit licensees would not be increased.

At the November Commission meeting, the Commission adopted Alternative #2. Therefore, commercial operator licensing fees and ID stamp fees will be increased approximately 2.79%, effective January 1, 2002; however, charitable and nonprofit licensing fees will not be increased.

**The following rules packages were filed at the November Commission Meeting and will be discussed further at the January and February 2002 Commission Meetings.**

**Petition for Rule Change – Teaching the Public How to Play Craps.**

**WAC 230-02-205** Gambling service supplier defined.

Mr. Kirtland is owner of Player's Edge, a store that sells gambling related books, videos and

accessories. Mr. Kirtland has submitted a Petition for Rule Change requesting the definition of a gambling service supplier be amended to include persons providing educational seminars to the public. Mr. Kirtland would like to place a craps table in his store for the purpose of teaching the public how to play the game of craps. No gambling would be involved. The table would be for instructional purposes only.

**Petition for Rule Change – Raising Betting Limits for House-Banked Card Games**

**WAC 230-40-120** Limits on wagers in card games.

Mr. Tull, attorney for the Recreational Gaming Association, submitted a Petition for Rule Change to raise house-banked card game betting limits from \$100 to \$500. He subsequently submitted a second petition with three additional options which are:

- a) Up to 5 tables may offer betting limits up to \$500 and the remaining tables would operate at maximum betting limits of \$300;
- b) After operating at Phase II betting levels of \$250 for 6 months, the wager limit could be increased to \$500; or
- c) Up to 2 tables may offer betting limits up to \$500 and the remaining tables would operate at maximum betting limits of \$300.

Although the Petitions were filed, the Commission made it clear that the filing did not necessarily mean any of the options would be adopted at a later date for card rooms operating under Phase II betting levels.



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Headquarters					
Lacey (800) 345-2529 or (360) 486-3440					

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**\* Call the closest regional office listed above**

Washington State Council on Problem Gambling  
(800) 547-6133